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Political Economy

Employment in Wales

This section examines the nature of recent employment growth in Wales, and the implications of this growth for the Assembly's economic targets. The Labour Markets section in this *Review* provides some further commentary on employment, unemployment and earnings in Wales and in other regions of the UK.

Figures from the *Labour Force Survey* for the year to August 2003 showed an increase of employment in Wales of 67,000. Figure 5 reveals that the stronger growth after April 2002 followed a period of small peaks and troughs in total employment. These movements left total employment in the spring of 2002 at almost the same level as in the summer of 1999, with the intervening period characterised by poor global economic conditions.

The improvement in employment has occurred at a time when unemployment rates in Wales are close to the UK

average and at historically low levels. The year to August 2003 has also been characterised by an improvement in economic activity rates, traditionally very low in Wales. Figure 6 shows that the improvement in activity rates is largely attributable to increases in female economic activity. Indeed female activity rates in Wales in August 2003 were higher than the GB average. Male activity rates remain considerably below the GB rate (80.6% in Wales compared to 84.9% for males in GB), with evidence of a small measure of improvement during 2003. In the year to August 2003 the number of males

working in Wales rose by around 10,000 (or 1.5%), and females by almost 57,000 (10%).

The Changing Face of Welsh Industry

This shift in balance between male and female work in Wales is undoubtedly a consequence of the changing industrial landscape. Despite decades of government policy aimed at retraining and upskilling the workforce, particularly males, the new service sectors and activities remain more attractive and/or accessible to female workers. Wales continues to lose manufacturing jobs, and attract employment in service sectors. In the period 1999-2003 the growth in public services (including public administration, education and health) alone has served to offset manufacturing losses, with retail and hotels also growing strongly in absolute terms. These trends have reinforced the dominant position of the public sector, with public services now accounting for 30.6% of the Welsh workforce compared to 26.4% for GB as a whole. The second largest sector is now retail and hospitality, taking over from manufacturing which held this position until the summer of 2000 (see Figure 7).

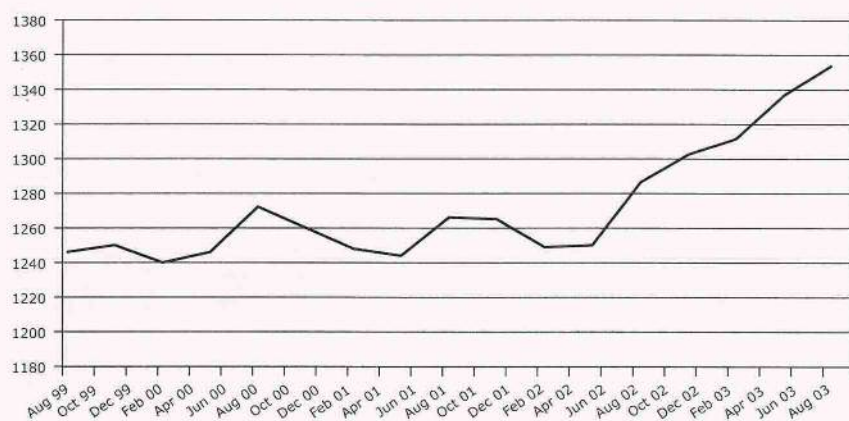
The Consequent Effects on the Nature of Work

As the industrial face of Wales continues to change, then so does the composition of the region's workforce. The new entrants to this workforce are overwhelmingly female, at a ratio of six to one in the last year. Moreover, the workers are also much more likely to be part-time. The net change in employment in the year to August 2003 of around 67,000 comprised less than 20,000 full-time workers. Figure 8 shows that by August 2003 there were around 20% more part time jobs compared with August 1999, and that the major growth occurred during 2002-2003. Full time employment has risen by 5% since August 1999.

Employment and Wealth

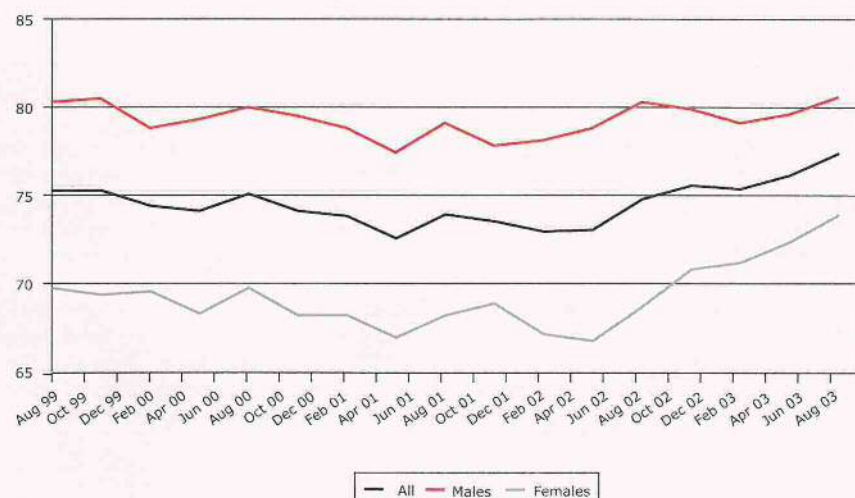
The strong growth in employment in Wales will undoubtedly encourage optimism in the Welsh Assembly Government that overarching jobs targets will be met in the period to 2010. However, assessing the impact of recent employment trends on Welsh GVA is more difficult. Firstly, the

Figure 5: Total Employment in Wales, (000s), 1999-2003



Source: Local Labour Force Survey

Figure 6: Economic Activity Rates, Wales, 1999-2003, (not seasonally adjusted).



Source: Local Labour Force Survey

encouragement of more women into work will have a beneficial impact upon GVA per capita as the dependency ratio (the ratio of the total population in work to those not in work) falls. However, increased involvement by females in the labour market will not have the full desired economic effect if this employment remains relatively low paid and part-time. Full-time females earn some 20% less than males, and although this gap is the smallest of any UK region, this is driven more by low male pay rather than high female wages.

The continued move to service-type employment presents a challenge for the aspiration that Welsh GVA should

approach 90% of the UK average. The 2003 *New Earnings Survey* evidences some narrowing of the pay-gap between Wales and GB. However, this is likely to be largely as a consequence of the increase in relatively well paid public sector jobs rather than any improvement in private sector earnings.

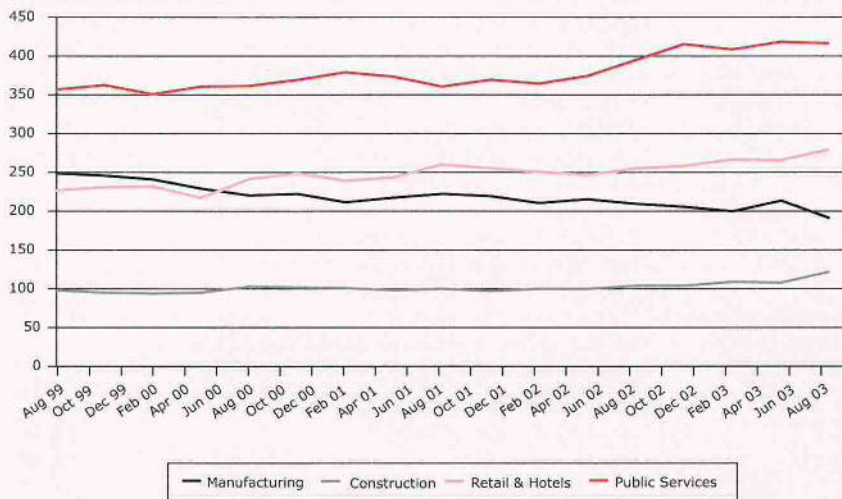
Conclusion

The data presented in this section shows an increase in part-time work, and the increasing involvement of females in the labour market. The other element in the mix is the public sector, already a dominant employer in Wales, and growing more so as a consequence of increased expenditure on health and education and the increased activity

associated with implementing Objective 1 and other European Union programmes.

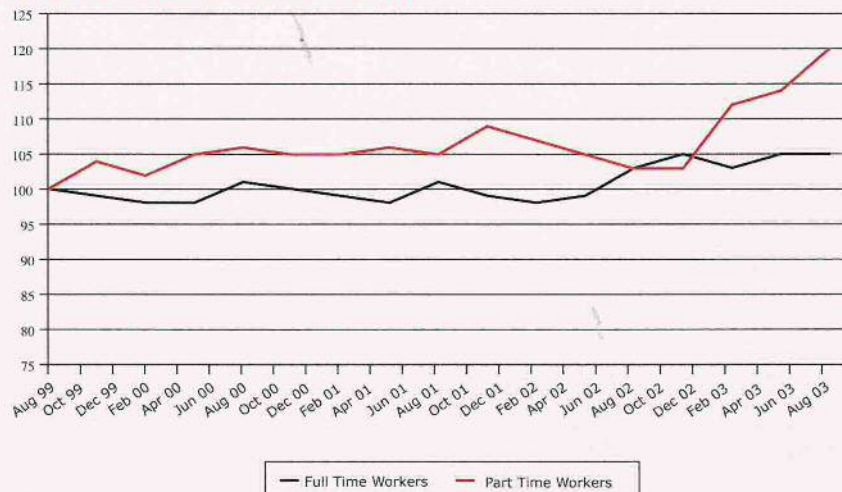
Whilst the recent employment growth, and the new opportunities this brings are very welcome, there are still concerns about the nature of this new employment. Indeed the conclusions from this section, when coupled with the recently published GVA figures for Wales (see Economic Commentary section of this *Review*) should make disappointing reading for the Welsh Assembly Government and its agencies. These figures show little evidence of the economic dynamism mentioned in documents such as *A Winning Wales*.

Figure 7: Employment by Industry, Major Groups, (000s), Wales 1999-2003.



Source: Local Labour Force Survey

Figure 8: Full and Part-Time Employment in Wales, 1999-2003 (August 1999 = 100).



Source: Local Labour Force Survey